

24 March 2023

Global Economics & Market Strategy

Malaysia: Corporate Bond's Hand Strengthens After MGS/GII Rally

- ◆ As the MGS/GIIs rally pulls ahead, corporate bonds have been rallying as well, coming in line with our strategic allocation view broadcasted before, we think from an absolute yield perspective corporate bonds still offers attractive yields albeit less attractive than a month or two ago. As such, the MGS/GII rally is a good time to trim your government bonds and cycle it into corporate bonds.
- ◆ US Treasury (UST) curve steepened yesterday as the front-end yields rallied while its tail-end crept up, an interesting shift that we are monitoring. We think UST are too aggressive in pricing cuts in the Fed Funds Rate (FFR) in 2023, as such, we see front-end MGS/GIIs sellers coming to cash-in profits yields as compress further. As such, we think further rally in the front-end of MGS are opportunities to take some short-term trading profit as we believe Bank Negara Malaysia are not done raising OPR.
- ◆ This week's economic releases: Malaysia CPI today at noon.
- ◆ **Malaysia Bond Wrap:** Malaysian Corporate bonds index returned 0.01% yesterday with a volume of MYR1,027mn, lower compared to MYR896mn yesterday, top traded bond was **Cagamas 4.35% 10/25** with MYR100mn volume. **Government bond Index** gained 0.14% yesterday, with a total of MYR5,877mn traded, a jump compared to MYR2,102mn on yesterday with **MGS 3.582% 7/32 as the most active** with MYR715mn traded.
- ◆ MYR Announced Corporate Pipeline:
 - **UDA Holdings (AA-)** MYR500mn

Global Economics & Market Strategy

RHB FIC Strategy

+603 92802172

[rhbficstrategy@rhbgroup.com](mailto:rhbfixstrategy@rhbgroup.com)

Fixed Income Return Snapshot

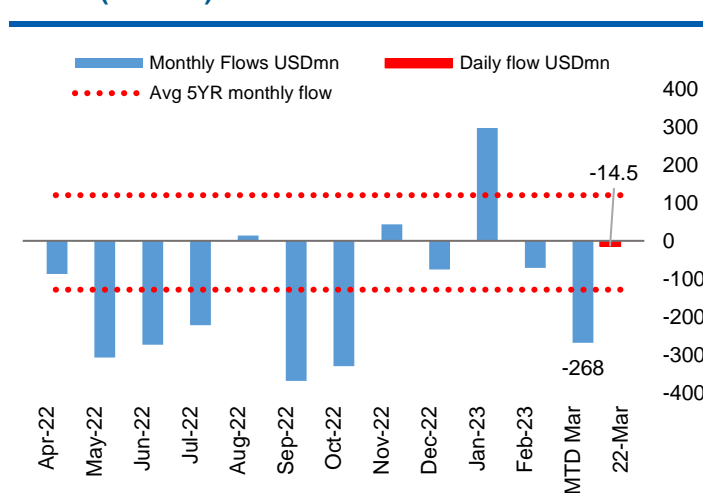
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	0.41	0.26	0.10
MYR Govt Bond	0.14	0.03	0.41
MYR Corp Bond	0.01	0.04	0.48
Global Bond	0.88	1.74	3.29
AxJ IG Bond	0.35	1.01	2.52

10-Year Yields

	22-Mar %	1D Δ (bps)	7D Δ (bps)
China	2.865	0.8	1.0
Indonesia	6.876	0.0	-5.6
Japan	0.299	-2.4	3.1
Malaysia	3.878	-5.3	-3.3
Singapore	2.832	-7.8	-10.4
Thailand	2.353	-5.0	-9.7
US	3.429	-0.8	-15.2
MYR AAA	4.533	0.0	-0.8
MYR AA	4.851	0.0	0.2
MYR A	6.179	0.0	5.6

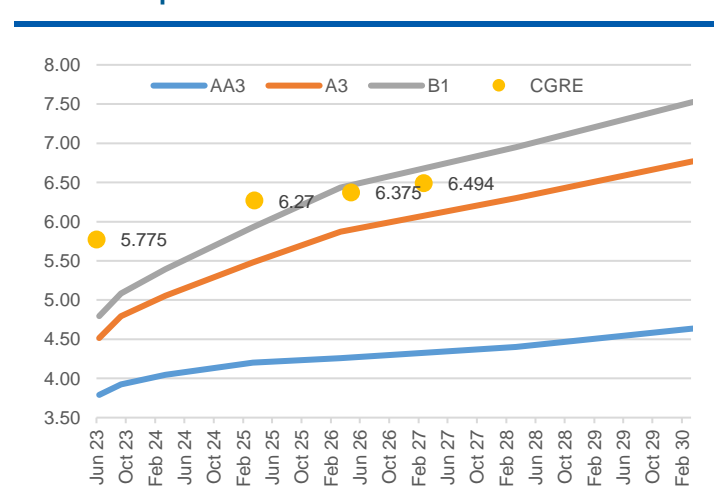
Source: Bloomberg, RHB Economics & Market Strategy.

Figure 1: Monthly/Daily Global Flows to Malaysia Bonds (USDmn)



Source: EPFR, RHB Economics & Market Strategy. Latest data 22 Mar 2023. The data tracks a universe of non-resident fund managers.

Figure 2: Country Garden trading near B1 yields, seems mis-priced



Source: Bloomberg, RHB Economics & Market Strategy

24 March 2023

Corporate Bond Idea

- ◆ **MYR Corporate bonds: We are recommending to buy Country Garden Real Estate (CGRE) (AA3, Negative) bonds denominated in MYR. The (CGRE) bond yields are currently trading at very attractive levels.** Coming out the long China lockdown is likely to solidify CGRE's lead in the China property space as weaker competitor are weeded out or consolidate while the survivors will likely gain market share. The company was able to pare down gross gearing from 1.9x in Dec-18 to 1.0x in Jun-22. Although operating environment remain challenging, the worst has passed and the regulators is back to supporting the industry. Currently yields are trading at B1 levels which we think might see a yield re-rating in the next 6 to 12 months. For risk mitigation, keep holdings no longer than 2-years. **The bonds maturing in 3 month and two-years offers MTM yields of 5.775% and 6.270% respectively.**
- ◆ **MYR Corporate bonds: UEM Sunrise** - We are Overweight UEM Sunrise as the property developer's yield are undemanding. Recent full year Dec-22 profitability has improved back to profit. The company also took initiative to improve its balance sheet by disposing non-core assets and reduced its inventories. Its net gearing remains healthy at 0.48x. The unbilled sales are able to sustain its revenue for the near-term. To highlight yields offered by UEM, **a 1-year bond maturing in March 2024 yields 4.8%, a 3-year bond maturing in May 2026 yields 5.35% and a 4-year bond maturing in Sept 2027 yields 5.46% (MTM yields as at 9 March 2023).**
- ◆ **We released our ASEAN Fixed Income Report** highlighting our recommendation to increase allocation to corporate bonds based on three premises, 1) Corporate yields are still attractive and therefore has room to shield against increasing policy rates, 2) Corporate balance sheet has stabilised and 3) Corporate bonds outperform government bonds consistently. Click [here](#) to read the report.
- ◆ **MYR Corporate bonds: Genting** - We see very good pickup in Genting offering 56-76bps of yield pickup compared to its rated AA1 curve. The group's balance sheet remains strong with no funding concerns, and with foreign tourists flocking back, the company's revenue rose 65% YoY in its most recent financial year ended Dec-22. In terms of valuation, currently undemanding and within single A levels. [Read our Genting write-up here.](#)
- ◆ **Government Guaranteed Bonds (GG)**, we continue to recommend strategic positioning in **government guaranteed (GG)** at front and middle of curve as yield hunting begins as the government bond rally takes a breather. Within the GG space, we like **Turus Pesawat, Lembaga Pembiayaan Perumahan Sektor Awam, Malaysia Rail Link** are particularly attractive due to its spreads versus its peers. We see a 11 – 35bps spread against our targeted yields. Refer to **Relative Value Analysis** Table on page 3 for the list of GG names and bond details.

MGS/GII Idea

- ◆ We see a bull steepening in 2023 as the long-end bond rally spills over to the front-end. After factoring in 2 more OPR hikes, the MGS in the **3YR, 5YR, 7YR and 10YR range** offers good trading opportunities from bull steepening of the curve. Refer to **Relative Value Analysis** Table on page 4.
- ◆ **Read our government bond outlook:** [Bullish Sentiment To Carry Into 2023.](#)

MYR Yields vs RHB Year-end Forecast

	Last Yield %	Forecast		Yield Changes (bps)				
		2023F	Pickup	1D	1W	1M	3M	YTD
MGS 3YR	3.372	3.00	37	-4.6	-4.5	-8.5	-31.2	-29.9
MGS 5YR	3.494	3.25	24	-2.0	-3.4	-10.7	-34.2	-36.1
MGS 7YR	3.796	3.50	30	-2.4	-0.9	2.1	-19.6	-20.5
MGS 10YR	3.878	3.60	28	-5.3	-3.3	-1.1	-18.8	-18.9
MGS 15YR	4.100	3.90	20	-0.1	3.9	-3.8	-14.7	-16.0
MGS 20YR	4.158	4.10	6	0.3	4.9	-6.8	-24.2	-23.8
MGS 30YR	4.396	4.40	0	-0.7	1.8	-1.9	-18.0	-21.0
AAA 3YR	4.030	3.57	46	0.0	-0.2	-2.5	-28.2	-27.3
AAA 10YR	4.533	4.20	33	0.0	-0.8	-2.7	-27.3	-25.8
AAA 15YR	4.701	4.43	27	0.0	1.0	-1.4	-35.1	-32.6
AA 3YR	4.277	3.88	40	0.0	-1.6	-3.5	-26.3	-25.5
AA 10YR	4.851	4.53	32	0.0	0.2	-0.2	-27.9	-25.5
AA 15YR	5.110	4.78	33	0.0	0.4	-0.1	-27.0	-24.0
A 3YR	5.359	5.05	31	0.0	-0.5	-1.1	-7.8	-8.5
A 10YR	6.179	6.26	-8	0.0	5.6	3.2	-0.5	2.4
A 15YR	6.567	6.78	-21	0.0	-1.4	-2.1	-7.7	-2.8

Source: BNM, Bloomberg, RHB Economics & Market Strategy

24 March 2023

RHB Modelled Curves – Relative Value Analysis

Malaysia Government Bonds (21/3/23)

Issuer	Tenure (YR)	Maturity	Last Price	RHB Modelled Curve (Govt)	Pickup (bps)	Value Bar
Sustainability GII	15.0	31/3/38	4.135	4.045	9	
MGS	0.1	20/4/23	2.323	2.834	-51	
MGS	0.4	17/8/23	2.613	2.894	-28	
MGS	12	14/6/24	3.043	3.037	1	
MGS	13	15/7/24	3.011	3.052	-4	
MGS	15	30/9/24	3.093	3.086	1	
MGS	2.0	14/3/25	3.257	3.157	10	
MGS	2.3	15/7/25	3.321	3.207	11	
MGS	2.5	15/9/25	3.384	3.232	15	
MGS	3.1	15/4/26	3.371	3.312	6	
MGS	3.3	15/7/26	3.397	3.345	5	
MGS	3.5	15/9/26	3.350	3.367	-2	
MGS	3.7	30/11/26	3.431	3.393	4	
MGS	4.0	15/3/27	3.455	3.429	3	
MGS	4.2	31/5/27	3.514	3.453	6	
MGS	4.7	16/11/27	3.488	3.506	-2	
MGS	5.2	15/6/28	3.569	3.567	0	
MGS	5.5	15/9/28	3.603	3.592	1	
MGS	6.1	30/4/29	3.819	3.650	17	
MGS	6.4	15/8/29	3.849	3.675	17	
MGS	7.1	15/4/30	3.806	3.730	8	
MGS	8.1	15/4/31	3.907	3.801	11	
MGS	8.3	30/6/31	3.952	3.814	14	
MGS	9.1	15/4/32	3.920	3.861	6	
MGS	9.3	15/7/32	3.917	3.874	4	
MGS	10.1	15/4/33	3.976	3.911	7	
MGS	10.6	7/11/33	3.953	3.935	2	
MGS	11.3	5/7/34	4.067	3.959	11	
MGS	12.2	31/5/35	4.117	3.988	13	
MGS	14.1	7/4/37	4.127	4.030	10	
MGS	15.2	8/6/38	4.058	4.048	1	
MGS	17.2	22/5/40	4.169	4.067	10	
MGS	19.6	15/10/42	4.090	4.084	1	
MGS	20.5	30/9/43	4.234	4.091	14	
MGS	23.0	15/3/46	4.256	4.121	13	
MGS	25.3	6/7/48	4.402	4.174	23	
MGS	27.3	15/6/50	4.381	4.247	13	
GII	0.2	15/5/23	2.636	2.846	-21	
GII	0.3	7/7/23	2.744	2.873	-13	
GII	0.7	30/11/23	2.947	2.945	0	
GII	1.2	22/5/24	3.133	3.027	11	
GII	1.4	15/8/24	3.200	3.065	13	
GII	1.6	15/10/24	3.167	3.092	7	
GII	2.4	15/8/25	3.332	3.219	11	
GII	2.6	15/10/25	3.322	3.244	8	
GII	3.0	31/3/26	3.421	3.307	11	
GII	3.5	30/9/26	3.463	3.373	9	
GII	4.4	26/7/27	3.574	3.471	10	
GII	4.5	30/9/27	3.581	3.491	9	
GII	5.4	31/7/28	3.556	3.579	-2	
GII	5.6	31/10/28	3.664	3.604	6	
GII	5.7	6/12/28	3.708	3.613	9	
GII	6.3	9/7/29	3.822	3.667	16	
GII	7.5	30/9/30	3.836	3.764	7	
GII	7.6	15/10/30	3.849	3.767	8	
GII	9.6	7/10/32	3.946	3.886	6	
GII	10.2	15/6/33	4.009	3.918	9	
GII	10.5	30/8/33	3.954	3.927	3	
GII	11.7	30/11/34	4.065	3.973	9	
GII	12.6	31/10/35	4.111	3.999	11	
GII	13.3	15/7/36	4.166	4.016	15	
GII	14.4	4/8/37	4.154	4.036	12	
GII	16.5	15/9/39	4.141	4.062	8	
GII	18.5	30/9/41	4.247	4.077	17	
GII	20.4	14/8/43	4.188	4.090	10	
GII	24.1	8/5/47	4.347	4.144	20	
GII	26.7	15/11/49	4.439	4.222	22	
GII	29.2	15/5/52	4.387	4.353	3	

Quasi Government Bonds (Selected)

Issuer	Tenure (YR)	Maturity	Last Price	RHB Modelled Curve (Quasi)	Pickup (bps)	Value Bar
Turus Pesawat	1.7	19/11/24	3.610	3.258	35	
Turus Pesawat	1.9	5/2/25	3.644	3.291	35	
Turus Pesawat	4.9	4/2/28	3.887	3.679	21	
Turus Pesawat	5.0	10/3/28	3.890	3.689	20	
Turus Pesawat	4.7	19/11/27	3.874	3.657	22	
Turus Pesawat	8.0	11/3/31	4.133	3.944	19	
Turus Pesawat	9.7	19/11/32	4.253	4.042	21	
LPPSA	4.1	16/4/27	3.784	3.589	20	
LPPSA	4.4	25/8/27	3.803	3.630	17	
LPPSA	4.6	5/11/27	3.814	3.652	16	
LPPSA	5.0	5/4/28	3.845	3.697	15	
LPPSA	5.0	24/3/28	3.810	3.693	12	
LPPSA	5.5	19/9/28	3.862	3.738	12	
LPPSA	3.5	21/9/26	3.736	3.519	22	
LPPSA	3.4	25/8/26	3.730	3.510	22	
LPPSA	5.6	31/10/28	3.818	3.754	6	
LPPSA	6.1	11/4/29	3.908	3.795	11	
LPPSA	3.1	10/4/26	3.707	3.461	25	
LPPSA	6.4	24/8/29	3.937	3.828	11	
LPPSA	6.4	30/8/29	3.937	3.829	11	
LPPSA	1.1	11/4/24	3.396	3.158	24	
LPPSA	3.0	25/3/26	3.697	3.455	24	
LPPSA	1.1	17/4/24	3.396	3.161	24	
Pengurusan Air SPV	0.2	6/6/23	3.217	3.008	21	
Pengurusan Air SPV	0.2	16/6/23	3.334	3.013	32	
Pengurusan Air SPV	2.2	6/6/25	3.640	3.341	30	
Pengurusan Air SPV	1.2	6/6/24	3.464	3.184	28	
Pengurusan Air SPV	1.2	6/6/24	3.464	3.184	28	
Pengurusan Air SPV	2.5	26/9/25	3.670	3.386	28	
Pengurusan Air SPV	5.9	7/2/29	3.904	3.780	12	
SME Bank	1.0	22/3/24	3.517	3.149	37	
SME Bank	2.1	23/4/25	3.624	3.323	30	
SME Bank	3.0	20/3/26	3.717	3.453	26	
MKD Kencana	1.9	21/2/25	3.537	3.298	24	
MKD Kencana	2.1	25/4/25	3.674	3.324	35	
MKD Kencana	0.1	27/4/23	3.215	2.987	23	
Malaysia Rail Link	5.3	21/7/28	3.898	3.727	17	
Malaysia Rail Link	7.3	5/7/30	4.021	3.896	12	
Malaysia Rail Link	7.5	25/9/30	4.033	3.913	12	
Malaysia Rail Link	4.0	29/3/27	3.812	3.583	23	
Malaysia Rail Link	3.3	23/7/26	3.764	3.498	27	
GovCo Holdings	0.9	22/2/24	3.401	3.135	27	
GovCo Holdings	1.5	27/9/24	3.522	3.235	29	
GovCo Holdings	8.2	6/6/31	4.123	3.960	16	
GovCo Holdings	8.5	19/9/31	4.142	3.978	16	
GovCo Holdings	8.9	20/2/32	4.152	4.002	15	
Danainfra	0.6	20/10/23	3.317	3.075	24	
Danainfra	0.6	31/10/23	3.317	3.081	24	
Danainfra	0.4	18/8/23	3.272	3.044	23	
Danainfra	1.0	21/3/24	3.380	3.148	23	
Danainfra	1.1	19/4/24	3.389	3.162	23	
Danainfra	1.2	24/5/24	3.410	3.178	23	
Danainfra	1.3	19/7/24	3.430	3.203	23	
Danainfra	1.3	24/7/24	3.430	3.206	22	
Jambatan Kedua	2.2	28/5/25	3.620	3.338	28	
Jambatan Kedua	0.4	28/7/23	3.261	3.034	23	
Jambatan Kedua	7.2	28/5/30	4.079	3.889	19	
Prasarana	0.4	29/8/23	3.291	3.050	24	
Prasarana	0.5	7/9/23	3.293	3.054	24	
Prasarana	0.7	4/12/23	3.341	3.097	24	
Prasarana	1.0	12/3/24	3.391	3.144	25	
Prasarana	1.5	13/9/24	3.479	3.228	25	
Prasarana	1.5	27/9/24	3.522	3.235	29	
Prasarana	6.9	25/2/30	3.981	3.869	11	
Bank Pembangunan	1.5	12/9/24	3.505	3.228	28	
Bank Pembangunan	6.5	12/9/29	3.962	3.832	13	
PRIMA	1.6	18/10/24	3.522	3.244	28	
PTP	7.6	1/11/30	4.078	3.920	16	
PTP	8.6	31/10/31	4.164	3.985	18	
PTP	5.6	1/11/28	3.879	3.754	12	
Malaysia Debt Ventures	6.1	10/4/29	3.934	3.795	14	
Malaysia Debt Ventures	5.5	14/9/28	3.876	3.742	13	

Source: BPAM, RHB Economics & Market Strategy

24 March 2023

Daily Top 10 Trade

Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
MGS 1/2022 3.582% 15.07.2032	715	3.878	3.931	-5
GII MURABAH 7/2019 3.151% 15.05.2023	635	2.383	2.598	-22
GII MURABAH 1/2022 4.193% 07.10.2032	500	3.945	3.952	-1
GII MURABAH 1/2023 3.599% 31.07.2028	355	3.563	3.594	-3
GII MURABAH 4/2015 3.990% 15.10.2025	320	3.318	3.332	-1
MGS 2/2018 3.757% 20.04.2023	310	2.650	2.395	26
MGS 3/2022 4.504% 30.04.2029	289	3.799	3.822	-2
MGS 4/2017 3.899% 16.11.2027	286	3.498	3.51	-1
MGS 1/2018 3.882% 14.03.2025	262	3.262	3.284	-2
MGS 1/2016 3.800% 17.08.2023	210	2.414	2.538	-12

Quasi-Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
CAGAMAS IMTN 4.350% 31.10.2025	100	3.850	3.849	0
PRASARANA IMTN 4.530% 28.12.2027 - Series 2	65	3.801	4.017	-22
DANGA IMTN 5.020% 21.09.2033 - Tranche 9	40	4.315	4.289	3
DANAINFRA IMTN 4.340% 27.10.2036 - Tranche 22	30	4.210	4.210	0
DANAINFRA IMTN 4.090% 20.10.2026 - Tranche No 50	20	3.709	3.520	19
DANAINFRA IMTN 3.990% 06.04.2029 - Tranche No 117	15	3.851	3.820	3
PASB IMTN (GG) 4.40% 17.06.2026 - Issue No. 26	15	3.721	3.541	18
PASB IMTN (GG) 4.63% 05.02.2026 - Issue No. 23	15	3.700	3.700	0
PRASARANA SUKUK MURABAH 4.00% 06.09.2027 - T2	15	3.780	3.837	-6
BPMB IMTN 4.75% 04.11.2031 - Issue No 8	10	4.392	3.859	53

Corporate Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
SUKE IMTN 6.480% 26.11.2027	80	5.708	5.708	0
TENAGA IMTN 03.08.2037	70	4.558	4.559	0
FPSB IMTN 5.050% 05.09.2025	60	4.366	4.354	1
SDPLANTATION IMTN 5.650% 24.03.2116	60	4.307	4.334	-3
PKNS IMTN 25.03.2024	45	4.520	-	-
SURIA KLCC IMTN 4.730% 31.12.2024 - Issue No. 1	40	3.840	3.890	-5
CIMB 4.950% 02.12.2032-T2 Sukuk Wakalah S3 T1	30	4.299	4.296	0
GENTING RMTN MTN 1826D 25.3.2027 - Tranche 3	30	4.828	4.657	17
MMC PORT IMTN 4.660% 06.04.2029 (Tranche 2)	30	4.621	4.727	-11
TG EXCELLENCE SUKUK WAKALAH (TRANCHE 1)	20	5.120	6.268	-115

24 March 2023

Disclaimer Economics and Market Strategy

This report is prepared for information purposes only by the Economics and Market Strategy division within RHB Bank Berhad and/or its subsidiaries, related companies and affiliates, as applicable ("RHB").

All research is based on material compiled from data considered to be reliable at the time of writing, but RHB does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness.

Neither this report, nor any opinion expressed herein, should be construed as an offer to sell or a solicitation of an offer to acquire any securities or financial instruments mentioned herein. RHB (including its officers, directors, associates, connected parties, and/or employees) accepts no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without prior consent of RHB and RHB (including its officers, directors, associates, connected parties, and/or employees) accepts no liability whatsoever for the actions of third parties in this respect.

Recipients are reminded that the financial circumstances surrounding any company or any market covered in the reports may change since the time of their publication. The contents of this report are also subject to change without any notification.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

RHB (including its respective directors, associates, connected parties and/or employees) may own or have positions in securities or financial instruments of the company(ies) covered in this research report or any securities or financial instruments related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities or financial instruments. Further, RHB does and seeks to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities or financial instruments of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such banking, advisory or other services from any entity mentioned in this research report.

RHB (including its respective directors, associates, connected parties and/or employees) do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report, including where such losses, loss of profits or damages are alleged to have arisen due to the contents of such report or communication being perceived as defamatory in nature.

**KUALA LUMPUR**

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799